

Message Text

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ORIGIN COME-00

INFO OCT-01 EA-06 ISO-00 AGR-05 EB-07 STR-04 /023 R

DRAFTED BY COM/BIC:DSGILPATRICK:EA/ROC:KJWEAV

APPROVED BY EA:LEEDMOND

EB/FTD - MR. WILLIAMS

USDA - MR. RATHELL

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R 172037Z APR 75

FM SECSTATE WASHDC

TO AMEMBASSY TAIPEI

C O N F I D E N T I A L STATE 088332

E.O. 11652: GDS

TAGS: ETRD, BDIS, TW,

SUBJECT: TRADE COMPLAINT: SINKONG SPINNING CO., LTD.
VS. HOLLINGSWORTH CO., GREENVILLE, SOUTH CAROLINA

REF: TAIPEI'S OM, MARCH 17, 1975

1. ON APRIL 1, JAMES LIN, NATIONAL ASSEMBLYMAN, AND ZU-YING (WU) LIN, GENERAL MANAGER, ADMINISTRATION AND PROCUREMENT, SINKONG SPINNING CO., LTD., CALLED ON USDOC TO DISCUSS A TRADE COMPLAINT REGARDING CARDING MACHINES PURCHASED BY SINKONG FROM THE HOLLINGSWORTH CO., GREENVILLE, SOUTH CAROLINA. ACCORDING TO THE LINS, SINKONG CONTRACTED WITH HOLLINGSWORTH THROUGH THE LATTER'S AGENT AMATEX, ALSO LOCATED IN GREENVILLE, FOR THE PURCHASE OF 80 CARDING MACHINES (APPROXIMATE VALUE US 1 MILLION DOLS.) TO BE DELIVERED IN TWO LOTS OF 20 AND 60 MACHINES, RESPECTIVELY. SINKONG PRE-PAID 80 PERCENT OF THE TOTAL PURCHASE PRICE, REPORTEDLY AROUND US 800,000 DOLS., WHEN THE ORDER WAS PLACED.

2. THE FIRST LOT OF 20 MACHINES HAS BEEN DELIVERED, BUT SINKONG IS REFUSING TO ACCEPT DELIVERY OF THE
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REMAINING 60 CARDS. UPON EXAMINATION OF THE FIRST LOT, SINKONG DISCOVERED THAT THEY CONTAINED REWORKED PARTS,

I.E., FRAMES AND CASTINGS. AS A RESULT, SINKONG CLAIMS

THAT (A) THE MACHINES ARE OF SUBSTANDARD QUALITY, (B) THE GROC PROHIBITS IMPORTS OF USED MACHINERY AND THE HOLLINGSWORTH CARDS MIGHT BE SO CATEGORIZED BY ROC CUSTOMS. SINKONG'S STATED OBJECTIVE IS TO CANCEL THE ENTIRE ORDER, RETURN THE CARDS ALREADY IN THE FIRM'S POSSESSION, AND OBTAIN A FULL REFUND OF THE DOWN PAYMENT. THE LINS ALLEGED THAT SEVERAL OTHER TAIWAN MILLS WHICH HAVE PURCHASED HOLLINGSWORTH MACHINERY ARE DISSATISFIED BUT HAVE NOT FILED COMPLAINTS DUE TO THE SMALL SIZE OF THEIR ORDERS.

3. JAMES LIN, WHO IS A MEMBER OF THE NATIONAL ASSEMBLY AND ASSOCIATE PROFESSOR, NATIONAL TAIWAN UNIVERSITY, STATED THAT PUBLICIZING THIS DISPUTE WOULD ADVERSELY AFFECT OVERALL BILATERAL TRADE RELATIONS THROUGH DISCLOSURE OF WHAT HE CATEGORIZED AS UNETHICAL BUSINESS PRACTICES BY A LARGE US FIRM. HE ALSO MENTIONED HIS PERSONAL ACQUAINTANCE WITH ROBERT HILLS, DEPUTY COUNSELOR TO THE PRESIDENT, WHOSE ADVICE WOULD BE SOUGHT IN SELECTING AN AMERICAN LAWYER TO HANDLE SINKONG'S CASE.

4. A USDOC TEXTILE MACHINERY SPECIALIST TOLD THE LINS THAT CARDS MANUFACTURED IN THE US OFTEN CONTAIN REWORKED PARTS. THIS COULD BE CONSIDERED STANDARD TRADE PRACTICE AND IS NOT INDICATIVE OF A SUBSTANDARD PRODUCT. USDOC SUBSEQUENTLY ADVISED HUGH BALLARD, PRESIDENT OF AMATEX, OF SINKONG'S COMPLAINT. BALLARD OFFERED TO ARRANGE DIRECT DISCUSSIONS BETWEEN SINKONG AND HOLLINGSWORTH, WHICH OFFER SINKONG ACCEPTED. WE WILL FORWARD A REPORT OF THESE DISCUSSIONS AS SOON AS RECEIVED.

5. IN THE CONTEXT OF THE CURRENT DIFFICULTIES WE ARE EXPERIENCING WITH TAIWAN MILLS' REFUSAL TO OPEN LETTERS OF CREDIT FOR OVERDUE COTTON CONTRACTS, WE ARE NOT CERTAIN AS TO SINKONG'S MOTIVES IN
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LODGING THIS COMPLAINT. SINKONG IS CURRENTLY IN DEFAULT ON A US COTTON CONTRACT FOR 1000 BALES OF COTTON WITH AN APPROXIMATE VALUE OF US 324,000 DOLS. THE FIRM AND SPECIFICS OF THE SALE IN QUESTION ARE LISTED IN THE ANNEX TO BE SUBMITTED BY THE GROC PRIOR TO USG ALLOCATION OF CCC CREDIT FOR USE IN FINANCING OVERDUE COTTON CONTRACTS. WE HAVE RECEIVED SEVERAL REPORTS THAT SOME TAIWAN MILLS ARE ARRANGING FALSE BANKRUPTCIES AND ASSET SALES OR LODGING QUALITY COMPLAINTS ON TEXTILE MACHINERY ORDERED FROM US FIRMS IN ORDER TO

EVASIVE RESPONSIBILITY FOR HONORING THEIR OVERDUE CONTRACTS.

6. WE UNDERSTAND THAT SINKONG DISCUSSED THIS COMPLAINT WITH THE EMBASSY PRIOR TO MARCH 15. WE WOULD APPRECIATE A REPORT ON THIS DISCUSSION AS WELL AS NOTIFICATION OF ANY OTHER SIMILAR COMPLAINTS WHICH HAVE BEEN BROUGHT TO THE EMBASSY'S ATTENTION OR FILED WITH AMATEX'S LOCAL AGENT. WE ARE ALSO INTERESTED IN ANY INFORMATION YOU CAN SUPPLY ON SINKONG'S CURRENT FINANCIAL STATUS WITHOUT RPT WITHOUT DIRECTLY APPROACHING THE FIRM.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXTILE INDUSTRY, EQUIPMENT, TRADE COMPLAINTS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: johnsorg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE088332
Document Source: ADS
Document Unique ID: 00
Drafter: COM/BIC:DSGILPATRICK:EA/ROC:KJWEAV
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: D750136-0060
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t197504102/baaaahgd.tel
Line Count: 123
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN COME
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: johnsorg
Review Comment: n/a
Review Content Flags:
Review Date: 25 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 JUL 2003 by CunninFX>; APPROVED <22 DEC 2003 by johnsorg>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: ETRD, BDIS, TW, US, SINKONG SPINNING COMPANY, HOLLINGSWORTH COMPANY
To: TAIPEI
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006